

# The One Big Beautiful Bill Impacts Employer-Sponsored Health & Welfare Programs

July 8, 2025

## Quick Facts

- On July 4, 2025, President Trump signed the One Big Beautiful Bill (the Bill) into law.
- The final version of the signed legislation incorporates many provisions of the House version but also includes some provisions unique to the Senate version.
- The Senate version of the Bill eliminated many key provisions of the House version related to increased flexibility for health savings accounts (HSAs) and updates to Individual Health Care Reimbursement Arrangements (ICHRAs).
- The Departments will be busy with the rulemaking required to implement this new legislation over the next several months.

## Introduction

On July 4, 2025, President Trump signed the [One Big Beautiful Bill \(the Bill\)](#) into law. Congressional Republicans had been vocal about their goal to deliver their final bill to President Trump by July 4, 2025. The House of Representatives (House) passed the updated version of the Bill on July 3, 2025, sending the legislation to the President for signature by their intended deadline.

## Background

On May 22, 2025, in a 215-214 vote primarily along party lines, the House passed House Resolution 1 (H.R. 1), also known as the [“One Big Beautiful Bill Act”](#) (the Bill). The intent of the Bill is to extend the 2017 Tax Cuts and Jobs Act (TCJA), and includes hundreds of other provisions, many of which directly impact employer-sponsored health plans. Some provisions in the House bill were directed at group health plans, such as expanded eligibility for health savings account (HSA) participants, including limited eligibility for Medicare Part A participants, and increased eligibility for individuals transitioning from a flexible spending account to an HSA. Other changes included increases to HSA contributions for certain individuals and updates to certain HSA distributions. The House version also codified the 2019 individual coverage health reimbursement arrangement (ICHRA) rules, expanding salary reductions, creating a tax credit for first-time ICHRA plan sponsors, and renaming ICHRAs as Custom Health Option and Individual Care Expense (CHOICE) arrangements.

On Monday, June 15, 2025, the U.S. Senate released its [version](#) of the Bill in response to the House version released in May. Employee benefits-related provisions, including changes to ICHRAs and enhanced HSA flexibilities, were absent from the Senate version. However, the Senate version included permanent relief for telehealth services offered under high-deductible health plans (HDHPs) to be provided prior to satisfying a HDHP deductible without jeopardizing HSA eligibility. The Senate passed their version in a 51-50 vote on July 1, 2025, with Vice President J.D. Vance as the tie-breaking vote.

## Final Legislation

Below, we highlight the provisions that are part of the final legislation.

### Provisions Included in the Final Legislation

#### Permanent Telehealth Relief for HDHPs

The Bill makes permanent the COVID-era safe harbor for telehealth coverage, allowing telehealth coverage to be provided for HDHP participants at no cost or a cost less than fair market value and without jeopardizing HSA eligibility. This change is retroactive to plan years beginning after December 31, 2024.

Prior to this legislation, plans that provide first-dollar coverage for telehealth would not be HSA-compatible, meaning that plans and issuers needed to apply deductibles and coinsurance to telehealth to maintain an HSA-eligible HDHP.

This provision was not included in the House version.

#### Direct Primary Care Arrangements

Starting January 1, 2026, and after, direct primary care (DPC) service agreements are not HSA-disqualifying coverage. This means that neither participating in or paying for a DPC (up to the limits listed below) will affect HSA eligibility. This provision in the legislation is limited to primary care services provided by such primary care providers for a fixed period fee that does not exceed \$150 per month for an individual and \$300 for more than one individual, adjusted annually for inflation. The following services are not included:

- Procedures that require general anesthesia,
- Prescription drugs (other than vaccines)
- Lab services not typically administered in an ambulatory primary care setting

This provision was included in both the House and Senate versions of the Bill.

#### HSA Eligibility for Certain Exchange Plans

As of January 1, 2026, bronze and catastrophic plans purchased on federal or state Exchanges will be treated as HDHPs, allowing enrolled individuals to contribute to an HSA and/or receive employer HSA contributions. Other HSA-eligibility requirements also apply, such as:

- The individual is not enrolled in Medicare
- The individual is not covered by other coverage that is not an HDHP, including a spouse's FSA
- The individual cannot be claimed as a dependent on another individual's tax return

This provision was included in both the House and Senate versions of the Bill.

#### Dependent Care FSA Increases

The final signed version of the Bill includes an increase to the Dependent Care Assistance Program (DCAP), also known as the Dependent Care Flexible Spending Accounts (FSAs), salary reductions to \$7,500 for single or married filing jointly filers and \$3,750 for individuals who are married filing separately. This marks the first statutory increase in DCAP contributions since its inception in 1986. This change is effective for tax years starting January 1, 2026, and after. Note that this change to DCAP contributions does not impact non-discrimination requirements for DCAPs.

This provision of the Bill was not included in the House version.

### **Extended Tax-Free Student Loan Repayment Assistance**

The final version of the Bill makes permanent provisions of the Tax Cuts and Jobs Act (TCJA) that allow employers to make student loan reimbursement payments tax-free up to \$5,250 and indexes the overall educational assistance program exclusion for inflation. This provision of the TCJA was set to expire at the end of 2025.

This provision was included in both the House and Senate versions of the Bill.

### **Changes to Tax-Advantaged Transportation Benefits**

Effective tax years starting January 1, 2026, and after, salary reductions for qualified bicycle commuting will no longer be excluded from taxable income.

This provision was included in both the House and Senate versions of the Bill, and the final version from the Senate, while not identical to the House version, was incorporated with minimal changes.

### **Changes to Premium Tax Credits Under the Affordable Care Act**

The final Bill includes updates to premium tax credits and Exchange eligibility under the Affordable Care Act (ACA).

Effective for plan years starting January 1, 2026, and after, individuals who enroll in an Exchange plan during a special enrollment period due to a change in an individual's expected household income will be prohibited from receiving a premium tax credit.

The final version of the Bill removes limitations on tax liability for the amount of tax imposed for excess tax credits under the ACA for individuals with household income under 400% of the federal poverty level effective January 1, 2026.

Starting January 1, 2027, individuals purchasing health coverage through the Exchange will be subject to pre-enrollment verification to ensure they meet requirements to receive premium assistance and cost-sharing reductions. Eligibility will be verified based on the information provided by the applicant, including details such as household income, family size, health coverage, and place of residence. Additionally, the final version of the Bill requires an individual enrolling in an Exchange plan to specify their immigration status to be eligible for a premium tax credit.

These provisions were included in both the House and Senate versions of the Bill. The final version from the Senate, while not identical to the House version, had minimal changes.

### **Provisions Not Included in the Final Legislation**

While many provisions from the House version of the Bill made it into the final legislation, there are notably several key provisions for employer-sponsored health and welfare plans that were excluded, such as:

- Expanded eligibility for HSA participants, including limited eligibility for Medicare Part A participants.
- Increased flexibility for participation in HSAs and FSAs.
- Updates to HSA distributions, such as allowing reimbursement for gym memberships up to a certain limit and allowing reimbursement for certain services incurred prior to establishing an HSA.

- Increases to HSA contribution amounts for certain individuals based on modified adjusted gross income.
- Allowing both spouses to make a catch-up contribution.
- Codifying the 2019 individual coverage health reimbursement arrangement (ICHRA) rules and expanding salary reductions and a tax credit for first-time ICHRA plan sponsors and renaming ICHRA as Custom Health Option and Individual Care Expense (CHOICE) arrangements.

## Summary

Employers sponsoring health and welfare plans should take note of key provisions that allow expansion of programs and be on the lookout for the rulemaking process from the Departments in charge of regulating these programs. EPIC will continue to monitor developments related to this legislation and the impending rulemaking and provide updates as they become available.

## EPIC Employee Benefits Compliance Services

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